

STATE OF NORTH CAROLINA
COUNTY OF WAKE

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
13 CVS 7161

STATE OF NORTH CAROLINA, *ex rel.*
JOSH STEIN, Attorney General, and
THE NORTH CAROLINA STATE BAR,

Plaintiffs,

v.

ORION PROCESSING, LLC, d/b/a World
Law Processing, World Law Debt, World
Law Group, and World Law Plan; SWIFT
ROCK FINANCIAL, INC., d/b/a World
Law Debt, World Law Group, and World
Law Plan; DERIN ROBERT SCOTT;
BRADLEY JAMES HASKINS, d/b/a
World Law Group; WORLD LAW
SOUTH, INC., d/b/a World Law Group;
And GLOBAL CLIENT SOLUTIONS,
LLC;

Defendants.

**CONSENT JUDGMENT AND
PERMANENT INJUNCTION AS TO
DEFENDANT DERIN ROBERT SCOTT**

THIS CAUSE came on before the Court for entry of a *Consent Judgment and Permanent Injunction* (hereafter, "Consent Judgment") between plaintiffs, the State of North Carolina, by and through its Attorney General Josh Stein, and The North Carolina State Bar, a state agency, and defendant Derin Robert Scott ("Scott"). Although Scott neither admits nor denies any of the allegations that form the basis for the findings made below, the plaintiffs and Scott have agreed to entry of this Consent Judgment by the Court. Based upon the record in this case, including the verified complaint, pleadings, affidavits, and depositions, and with the consent of the parties, the Court hereby makes the following:

FINDINGS OF FACT

1. Plaintiffs filed their initial Complaint on May 22, 2013. On June 25, 2014, plaintiffs filed an Amended Complaint, adding additional allegations, and adding as defendants Bradley James Haskins (“Haskins”) and World Law South, Inc. (“WLS”).

2. Scott is a resident of Florida.

3. On or about January 14, 2008, Scott organized, or caused to be organized, defendant Swift Rock Financial, Inc. (“Swift Rock”), a Texas corporation. Scott is the sole owner of Swift Rock. Swift Rock has not been formally dissolved as a corporation but is not actively engaged in business at this time.

4. On or about June 2, 2008, Scott organized, or caused to be organized, defendant Orion Processing, LLC (“Orion”), a Texas limited liability corporation. Scott is the sole owner and member of Orion.

5. Beginning in early 2010, under various “World Law” names, defendants held out to North Carolina consumers as able to provide, and provided, debt settlement services and legal services. Defendants held themselves out as being able to decrease North Carolina consumers’ unsecured debts by negotiating with consumers’ creditors for reduced settlements, and in some instances, contacted consumers’ creditors to negotiate settlements. Defendants also held themselves out as being able to assist consumers if consumers were sued by their creditors for non-payment. In many instances, when North Carolina consumers were sued by their creditors, defendants provided consumers with prepared pleadings, including answers and responses to discovery, with instructions for consumers to file the legal documents with North Carolina courts *pro se*. Defendants also held themselves out as being able to assist consumers sued by their creditors by advising consumers to seek arbitration of creditors’ lawsuits, and in some instances,

defendants initiated arbitrations on behalf of North Carolina consumers and purported to represent North Carolina consumers before arbitration tribunals, including the American Arbitration Association (“AAA”).

6. Defendants conducted the business practices described in paragraph 5 above through cooperation among the corporate and individual defendants, which operated together to offer and provide debt settlement services and legal services through the World Law program. Defendants often used overlapping employees and offices, commingled funds, and shared operations and proceeds.

7. Plaintiffs’ Amended Complaint alleges that Scott, as owner and member of Orion, and as owner of defendant Swift Rock, formulated, controlled and had knowledge of the activities of Orion and Swift Rock.

8. Scott is not licensed as an attorney or authorized to provide legal services in North Carolina. Orion, Swift Rock and WLS are not law firms, and are not authorized to provide legal services in North Carolina.¹ Haskins is licensed as an attorney in Texas, but is not licensed as an attorney in North Carolina.²

9. Since 2010, at least 1427 North Carolina consumers have entered into agreements for debt settlement services and legal services, which were serviced and provided by defendants under various “World Law” names. Since 2010, North Carolina consumers have paid defendants approximately \$8,549,095.00, a substantial portion of which were paid in advance of defendants’

¹ After appearing and defending, including filing a motion to dismiss, WLS was subsequently dissolved and failed to file an answer; and an entry of default was entered against WLS on February 19, 2016.

² Haskins failed to appear or defend, and an entry of default was entered against Haskins on June 3, 2015.

reaching settlements of consumers' debts.³ These payments and fees were divided among the multiple participants, including Scott.

10. On August 17, 2015, the federal Consumer Financial Protection Bureau ("CFPB") brought an enforcement action against defendants in the U.S. District Court for the Southern District of Florida. As part of the federal enforcement action, the federal court entered injunction orders, shutting down defendants' business throughout the country, and appointed a Receiver, which froze and seized defendants' assets, including those of Scott.

11. Scott was properly served with the summons and Complaint and the Amended Complaint in this matter. Scott filed an Answer to the Amended Complaint on March 17, 2015.

12. Swift Rock was properly served with the summons and Complaint in this matter. Swift Rock did not file an answer or otherwise respond, and an entry of default was entered against Swift Rock on September 26, 2013.

13. Orion was properly served with the summons and Complaint and Amended Complaint in this matter. On February 27, 2015, Orion filed a voluntary bankruptcy petition under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Western District of Texas, which the bankruptcy court subsequently converted to a Chapter 7 case. On December 20, 2016, this Court entered an order of summary judgment and a permanent injunction against Orion.

14. Scott represents that he has no significant assets.

³ On June 4, 2013, the Court entered a Preliminary Injunction Order against defendants, enjoining them from enrolling new customers in North Carolina, and prohibiting the disbursement of further fees to defendants from North Carolina customers, pending further order of the Court. Consequently, any fees paid by North Carolina customers after that date were held by payment processor Global Client Solutions, LLC ("Global") and not disbursed to defendants; and those fees were subsequently refunded to North Carolina consumers by Global when Global terminated its relationship with defendants on September 1, 2014.

15. The plaintiffs and Scott agree to entry of this Consent Judgment to settle and resolve all matters in dispute arising from the conduct alleged in the Amended Complaint. Scott neither admits nor denies the allegations in the Amended Complaint, except as specifically stated herein. Scott stipulates that the Findings of Fact and Conclusions of Law as stated herein are legally sufficient to support this Consent Judgment. Scott waives all rights to appeal or to otherwise challenge or contest the validity of this Order.

CONCLUSIONS OF LAW

1. Defendant Scott was properly served process pursuant to N.C. Gen. Stat. § 1A-1, N.C. R. Civ. P. 4.

2. The Court has personal jurisdiction over Scott and has jurisdiction over the subject matter of this action.

3. Defendants' activities and practices violate the Debt Adjusting Act, N.C. Gen. Stat. §§ 14-423 and 14-424; violate the unauthorized practice laws, N.C. Gen. Stat. §§ 84-2.1, 84-4, and 84-5; and violate the unfair and deceptive practices act, N.C. Gen. Stat. § 75-1.1.

4. Good cause exists for the entry of this Consent Judgment, and entry of this order is in the public interest. Plaintiffs are entitled to the relief set forth herein pursuant to N.C. Gen. Stat. §§ 14-425, 75-14, 75-15, 75-15.1, and 84-37.

5. Pursuant to N.C. Gen. Stat. § 84-37(a), no bond for costs is required for the issuance of this permanent injunction order.

BASED ON THE FOREGOING and the record herein, the Court concludes that good and sufficient cause exists for the entry of this judgment and permanent injunction pursuant to Chapters 14, 75, and 84 of the North Carolina General Statutes, and the Court adopts the

agreement of the plaintiffs and defendant Scott and these findings as its determination of their respective rights and obligations.

PERMANENT INJUNCTION PROVISIONS

IT IS ORDERED, ADJUDGED, AND DECREED that Scott; his agents; servants; attorneys; any corporate entities operated or controlled directly or indirectly by Scott, including any affiliates, parents, subsidiaries, divisions, franchisors, or franchisees, together with any employees or agents of the foregoing; and all other persons in active or future concert or participation with Scott or the foregoing, whether acting directly or indirectly, are hereby permanently enjoined from engaging in, or aiding or abetting others in engaging in, any acts and activities constituting debt adjusting, as defined by N.C. Gen. Stat. § 14-423; the practice of law in North Carolina, as defined in N.C. Gen. Stat. §§ 84-2.1, 84-4, and 84-5; and unfair and deceptive trade practices prohibited under N.C. Gen. Stat. § 75-1.1, including but not limited to being permanently enjoined from the following acts:

A. Advertising, soliciting, offering, or entering into contracts for debt adjusting services or legal services to North Carolina consumers;

B. Performing or providing debt adjusting services, or performing or providing legal services to or on behalf of North Carolina consumers; and

C. Receiving or collecting any money or other consideration from any North Carolina consumer for debt adjusting services or legal services.

IT IS FURTHER ORDERED that, if Scott violates any injunctive provision of this Consent Judgment, a civil penalty of not less than \$2.5 million dollars (\$2,500,000) shall be imposed against Scott pursuant to N.C. Gen. Stat. §§ 14-425, 75-1.1, and 75-15.2.

DEFINITIONS

The following definitions apply to this Order:

1. **“Debt Adjusting Services”** as used in the Permanent Injunction Provisions of this Consent Judgment mean and include:

- (a) The offering or undertaking to negotiate, resolve, settle, or compromise debts of North Carolina consumers, including the offering or performance of any debt adjusting service to or on behalf of North Carolina consumers, as that term is defined in N.C. Gen. Stat. § 14-423;
- (b) Any “debt relief service” as that term is defined in the Telemarketing Sales Rule, 16 C.F.R. § 310.2(m); or
- (c) Any related, analogous, or similar service which is offered for the purported purpose of assisting North Carolina consumers in the reduction or modification of their debts, or increasing consumers’ access to credit, such as student loan relief services, mortgage loan modification services, or credit repair services.

2. **“Legal Services”** as used in the Permanent Injunction Provisions of this Consent Judgment mean the offering or performance of any legal service for another person, firm, or corporation in North Carolina, including legal services as defined and identified in N.C. Gen. Stat. § 84-2.1, 84-4, and 84-5, and specifically including the following:

- (a) Preparing, offering to prepare, assisting in the preparation of, or providing prepared legal pleadings, including but not limited to answers, discovery responses, affidavits, or motions, to or for use by consumers in North

Carolina, including pleadings provided to consumers for *pro se* filing or use;

- (b) Providing legal advice to consumers in North Carolina, including but not limited to advice concerning defense of lawsuits brought against the consumer, instructions on filing any pleadings or other documents with a court or tribunal, or instructions to consumers on statements and legal arguments to present to a court or other tribunal;
- (c) Communicating with any court, tribunal, or creditor as an attorney or other representative of the legal interests of a North Carolina consumer whether identified as an attorney, a paralegal, or any other title or designation; or
- (d) Advertising or holding out in any medium, including television advertising and the internet, to North Carolina consumers as an attorney or as having the ability to provide attorneys, legal services, or the services of an attorney.

GENERAL PROVISIONS

Construction. This permanent injunction shall be construed broadly to include any subterfuge, device, or practice engaged in by Scott, and any person or entity participating or acting in concert with him, in an effort to evade the dictates of this Consent Judgment.

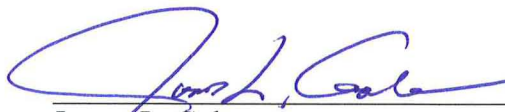
Scope of Resolution. This Consent Judgment shall fully resolve all legal claims and issues raised in the Amended Complaint for all activities of Scott up to the date of this Consent Judgment. Provided, however, that this Consent Judgment shall not be construed to deprive any consumer or other person or entity of any private right under the law.

Future Conduct and Enforcement. This Consent Judgment shall not be construed as approval, sanction, or authorization of any act, practice, or conduct of any defendant. Further, this Consent Judgment shall not be construed to limit the authority of the plaintiffs to enforce prospectively laws, regulations, or rules against any defendant, and shall not be construed as relieving any defendant of the obligation to comply with all state or federal laws, regulations, or rules. The facts alleged in the Amended Complaint will be taken as true and be given collateral estoppel effect, without further proof, in any proceeding based on the entry of this Consent Judgment, or in any subsequent civil litigation by any plaintiff to enforce this Consent Judgment or any plaintiff's rights to any payment or monetary judgment under this Consent Judgment.

Attorneys' Fees and Costs. Plaintiffs and Scott will each bear their own respective costs and attorneys' fees.

Continued Jurisdiction. The Court shall retain jurisdiction of this matter. Any party to this Consent Judgment may apply to the Court at any time for such further orders or directives as may be necessary or appropriate for the interpretation or modification of this Consent Judgment, for the enforcement of compliance with this Consent Order, or for the punishment of violations of this Consent Order. The provisions of this Consent Judgment shall be enforceable by contempt proceedings and as provided in N.C. Gen. Stat. § 75-15.2.

SO ORDERED this the 7th day of March, 2017.




James L. Gale
Chief Business Court Judge


*State of North Carolina, ex rel. Josh Stein, Attorney General, and The North Carolina State Bar
v. Orion Processing, LLC, et al., Case No. 13 CVS 7161*

CONSENTED TO:


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By: 
Derin R. Scott

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UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

IN RE: §
§ CASE NO. 15-10279-tmd
ORION PROCESSING LLC, §
Debtor. §

MOTION TO APPROVE COMPROMISE AND SETTLEMENT
PURSUANT TO RULE 9019

This pleading requests relief that may be adverse to your interests.

If no timely response is filed within 21 days from the date of service, the relief requested herein may be granted without a hearing being held.

A timely filed response is necessary for a hearing to be held.

TO THE HONORABLE TONY DAVIS, UNITED STATES BANKRUPTCY JUDGE:

Randolph Osherow, Chapter 7 Trustee for Orion Processing, LLC, files this Motion to Approve Compromise and Settlement Pursuant to Rule 9019, as follows:

1. This Court has jurisdiction under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding under 28 U.S.C. § 157(b).
2. The Debtor filed its Chapter 11 case on February 27, 2015. The case was converted to a Chapter 7 case on August 20, 2015, and Randolph Osherow (“Trustee”) was appointed as Chapter 7 trustee.
3. On July 22, 2016, the Trustee filed an adversary proceeding against the State of North Carolina, styled “Randolph Osherow, Trustee for Orion Processing, LLC v. State of North Carolina, et al.” No. 16-1068. On the same date, the State of North Carolina filed adversary

proceeding number 16-1069, styled “State of North Carolina v. Randolph Osherow, et al.,” which was consolidated with Adv. No. 16-1068 by Order dated September 3, 2016 (collectively the “Adversary Proceeding”). Essentially, the two actions seek determination of the right to funds totaling \$300,000.00 (the “Funds”) held by the law firm of Blanchard, Miller, Lewis & Isley, P.A. (“Blanchard, Miller”) in connection with a Preliminary Injunction Order entered on June 4, 2013 in connection with a lawsuit styled *State of North Carolina, ex rel. Roy Cooper, Attorney General and The North Carolina State Bar v. Orion Processing, LLC, et al.*, No. 13-CVS-007161, in the General Court of Justice, Superior Court Division, State of North Carolina, County of Wake (the “Lawsuit”).

4. The State of North Carolina filed a Motion for Summary Judgment in the Adversary Proceeding on April 26, 2017; the Trustee filed a Notice of Opposition and Objections to the State of North Carolina’s Motion for Summary Judgment. A hearing on the motion was set for June 7, 2017, and the trial docket call was scheduled for June 14, 2017.

5. In addition to the claims pending in the Lawsuit and the Adversary Proceeding, the State of North Carolina filed a proof of claim (Claim No. 43-1) in the Bankruptcy Case (the “North Carolina Proof of Claim” or the “Claim”). The North Carolina Proof of Claim is in the total amount of \$9,620,306.00, with \$300,000.00 alleged to be secured by an interest in the Funds.¹ The Trustee has objected to the secured status of the North Carolina Proof of Claim (the “Claim Objection”), but has not objected to the amount of the Claim.

¹ The State of North Carolina has also argued in the Adversary Proceeding that the Funds are not property of the Bankruptcy Estate. Subject to approval of this settlement, that argument is being waived and the Funds will be treated as property of the bankruptcy estate subject to the State of North Carolina’s collateral interest in \$150,000.00 of the Funds.

6. The Trustee and the State of North Carolina have agreed to settle the Adversary Proceeding and the Claim Objection with each party receiving \$150,000.00 of the Funds, with the remainder of the North Carolina Proof of Claim being allowed only as a general unsecured claim. Subject to Bankruptcy Court approval of this settlement, the full balance of the Funds shall be transferred by Blanchard, Miller to the Trustee for distribution pursuant to the terms of this settlement. The \$150,000.00 to be paid to the State of North Carolina will be distributed by the Trustee in full and final satisfaction of the portion of North Carolina's Proof of Claim alleged to be secured. The remaining \$150,000.00 of the Funds shall be received free and clear of any and all liens, claims, and encumbrances, and held by the Trustee to be distributed according to Bankruptcy Code section 507(a), including without limitation, for payment of the Trustee's fees, and bankruptcy estate administrative claims.

7. Federal Rule of Bankruptcy Procedure 9019(a) allows a trustee to seek approval of a settlement affecting the bankruptcy estate. The decision whether or not to approve a particular settlement lies within the discretion of the Bankruptcy Court. *Am. Can Co. v. Herpel (In re Jackson Brewing Co.)*, 624 F.2d 605, 607 (5th Cir. 1980). "A proposed settlement must be 'fair and equitable' and in the best interests of the estate." *Cadle Co. v. Moore (In re Moore)*, 608 F.3d 253, 263 (5th Cir. 2010) (citing *Jackson Brewing*, 624 F.2d at 608).

8. Courts consider the following factors in determining whether a settlement is fair and equitable:

(1) the probability of success in the litigation, with due consideration for the uncertainty in fact and law; (2) the complexity and likely duration of the litigation and any attendant expense, inconvenience, and delay, including the difficulties, if any, to be encountered in the matter of collection; (3) the paramount interest of the creditors and a proper deference to their respective views; (4) the extent to which the settlement

is truly the product of arm's-length bargaining and not fraud or collusion; and (5) all other factors bearing on the wisdom of the compromise.

Id.

9. These factors all support granting this Motion. The Adversary Proceeding and the Claim Objection involve complex factual and legal issues, and the outcome is uncertain. The expense for a trial would have further eroded any recovery. The settlement will result in recovery of one half of the Funds for the benefit of the Estate, which was uncertain. Finally, the parties, with their counsel, negotiated the settlement over a period of time, in good faith, and with due consideration to the merits of their positions.

10. In sum, the Trustee believes that the settlement agreement is in the best interest of the estate and should be approved.

11. A proposed Order is attached hereto.

WHEREFORE, based on the foregoing, the Trustee requests that the Court approve the proposed settlement, and that the Trustee have such other and further relief to which he may be entitled.

Respectfully submitted,

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ATTORNEYS FOR TRUSTEE

CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies that on June 29, 2017, a true and correct copy of the foregoing was served on all parties receiving electronic notice through the Court's CM/ECF System, and on June 30, 2017 to the parties listed on the attached service list.

/s/ Mark C. Taylor

Mark C. Taylor

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IT IS HEREBY ADJUDGED and DECREED that the below described is SO ORDERED.

Dated: July 24, 2017.



TONY M. DAVIS
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

IN RE:	§	
	§	CASE NO. 15-10279-tmd
ORION PROCESSING LLC,	§	
Debtor.	§	

ORDER APPROVING COMPROMISE AND SETTLEMENT
PURSUANT TO RULE 9019

For consideration by the Court came the Motion filed by Randolph Osherow, Chapter 7 Trustee for Orion Processing, LLC, to Approve Compromise and Settlement Pursuant to Rule 9019 (the "Motion"), between the Trustee and the State of North Carolina. After considering the Motion, the Court is of the opinion that it should be granted for the reasons set forth in the Motion. It is, therefore,

ORDERED that the Motion to Approve Compromise and Settlement Pursuant to Rule 9019 is GRANTED; and it is further

ORDERED that Blanchard, Miller, Lewis & Isley, P.A. is ordered to and shall tender the full amount of the Funds¹ to the Trustee for distribution in accordance with the Motion and this Order; and it is further

ORDERED that the North Carolina Proof of Claim is hereby allowed in the amount filed, however only \$150,000.00 is allowed as a secured claim, secured by an interest in the Funds, with the balance of the Claim allowed only as a general unsecured claim; and it is further

ORDERED that, upon receipt of the Funds, the Trustee is authorized and directed to pay \$150,000.00 to the State of North Carolina, by payment to the order of the North Carolina Department of Justice, in full and final satisfaction of the secured portion of the State of North Carolina's Claim; and it is further

ORDERED that the remaining balance of \$150,000.00 in the Funds shall be received by the Trustee free and clear of all liens, claims and encumbrances, and distributed by the Trustee in accordance with the provisions of the Bankruptcy Code; and it is further

ORDERED that, pursuant to the foregoing, the parties are directed to make the following filings within fourteen (14) days of the date of this Order: (1) the Trustee and the State of North Carolina shall file a stipulation of dismissal, with prejudice, of the Adversary Proceeding; and (2) the Trustee shall withdraw the Claim Objection as moot as a result of this Order.

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PREPARED BY:

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¹ Unless defined differently herein, capitalized terms shall have the meaning set forth in the Motion.